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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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The Consumer Electronics Group of the Electronic Industries Association hereby submits the following comments in response to the Third Further Notice Rulemaking which the Commission issued in the above-captioned proceeding on 1994.¹ In these comments, EIA/CEG will focus on whether video dialtone system should be required to use all-digital transmission methods.²

¹ *Telephone Company-Cable Television Cross-Ownership Rules, Sections 63.54-63.58 and Amendments of Parts 32, 36, 61, 64, and 69 of the Commission's Rules to Establish and Implement Regulatory Procedures for Video Dialtone Service*, Memorandum Opinion and Order on Reconsideration and Third Further Notice of Proposed Rulemaking, CC Docket No. 87-266, RM - 8221, FCC 94-269 (released Nov. 7, 1994) [hereinafter "Notice"].

² See *id.* ¶ 270.

INTRODUCTION

EIA/CEG is the principal trade association of the consumer electronics industry. EIA/CEG members design, manufacture, import, distribute, and sell a wide array of consumer electronics equipment, including television receivers and videocassette recorders ("VCRs"). Virtually all Americans who view video programming do so on products produced by EIA/CEG member companies. Thus, EIA/CEG members have a major interest in how the operation of video dialtone systems will affect their products' performance, as well as the public's ability to use those products.

The Notice seeks comments on whether video dialtone system operators should be required to transmit signals solely in digital format in order to expand the capacity of their video dialtone systems.³ There are no television receivers currently in the marketplace, however, that are capable of receiving digital signals. As a consequence, such a rule would require customers to use -- and suffer the constraints of -- set-top converters to decompress digital signals and modulate them into analog signals for viewing.⁴ EIA/CEG therefore opposes this proposal at this time because of the use of set-top converters and the lack of digital standards. Additionally, EIA/CEG believes that video dialtone operators must have the option of using analog or hybrid analog/digital transmission systems in order to compete effectively with cable operators.

³ *Id.*

⁴ *See id.* ¶¶ 269-70.

AN ALL-DIGITAL TRANSMISSION REQUIREMENT WOULD PUT VIDEO DIALTONE AT A COMPETITIVE DISADVANTAGE VIS-A-VIS CABLE.

A requirement for all-digital transmission would place a significant burden on video dialtone operators and their consumers that would not apply to cable operators. Digital video transmission is still in its infancy and it is questionable whether video dialtone operators will quickly be able to deploy all-digital systems.⁵ Furthermore, no standards have been established for digital transmission. Without standards, digital products will not be as affordable to consumers due to the lack of mass-produced, standardized equipment. Until the industry has had more experience with digital transmission and until standards are set, requiring all-digital transmission will only serve to retard the deployment of video dialtone systems.

Even if the all-digital video dialtone systems are eventually deployed, they would be at a competitive disadvantage vis-a-vis cable. As the Notice indicates, digital transmission requires an expensive set-top converter.⁶ The large expense of these converters would preclude many low income consumers from video dialtone service. Furthermore, this expense would induce most consumers to avoid video dialtone service in favor of cable. An all-digital transmission requirements therefore will severely delay effective competition by video dialtone to cable. The public interest would be best served by encouraging quick deployment of competitive analog or hybrid analog/digital video dialtone service that will give consumers an effective alternative to cable.

⁵ The deployment of digital transmission in cable systems has taken much longer than had been originally believed.

⁶ *Id.* ¶¶ 268-70.

THE COMMISSION SHOULD AVOID PROBLEMS FOR VIDEO DIALTONE THAT IT IS NOW RESOLVING FOR CABLE TELEVISION.

In analyzing questions relating to digital transmission and set-top converters in the context of video dialtone, the Commission should be guided by its experience with cable television systems. Because of a variety of practices, such as signal encryption and channel mapping, large numbers of cable subscribers have been required to obtain set-top converters from their cable companies in order to receive cable signals. The use of set-top converters has had several adverse consequences for consumers: (1) many features that are built into television receivers and VCRs either cannot interoperate with set-top converters or are disabled by set-top converters; (2) consumers must bear the cost of renting set-top converters, which duplicate many of the functions of their television receivers; and (3) consumers have been forced to obtain and use multiple remote control units.

In response to consumer complaints about the problems presented by set-top converters, Congress enacted Section 17 of the Cable Television Consumer Protection and Competition Act of 1992. Section 17 directs the Commission to ensure compatibility between cable systems and consumer electronics equipment. The Commission has only recently begun to implement this portion of the Cable Act in ET Docket No. 93-7, the Cable Compatibility proceeding.⁷

In its first Order in that proceeding, the Commission required the establishment of a Decoder Interface between cable transmission systems and consumer electronics to eliminate

⁷ *Implementation of Section 17 of the Cable Television Consumer Protection and Competition Act of 1992*, First Report and Order, ET Docket No. 93-7, 9 FCC Rcd 1981 (1994).

the need for consumers to acquire set-top converters.⁸ The Decoder Interface will permit signal security functions to be performed by a set-back module that utilizes, rather than disables, television receiver capabilities such as tuning. Most important, the Order requires non-security functions to be separated from security functions so that non-security functions may be performed by competitively supplied equipment.⁹ EIA/CEG and representatives of the cable industry are working hard to finalize the specifications for the Decoder Interface. EIA/CEG believes that the successful implementation of the Decoder Interface will remove most of the interoperability problems between cable systems and consumer electronics equipment.

EIA/CEG urges the Commission to draw upon its work and experience in the cable realm when prescribing rules for video dialtone service.

- **Digital Transmission Should Not Be Mandated.** In identifying the issues relating to digital transmission, the Notice makes reference to a video dialtone system proposed by GTE. GTE proposes a hybrid system of 80 analog channels and 168 compressed digital channels.¹⁰ GTE has, apparently, concluded that this is sufficient capacity to meet current demand. The Notice does not suggest, nor does it point to need for more capacity than GTE proposes for a video dialtone system. If and when such demand does arise, video dialtone system operators will have every incentive to expand the capacity of their systems, most likely by increasing the utilization of digital transmission.

⁸ See *id.* at 1988-89.

⁹ *Id.* at 1988-89.

¹⁰ GTE Section 214 Application, File No. W-P-C-6955, at 6 (May 23, 1994).

In the meantime, the Commission should not adopt rules requiring the use of digital transmission techniques that would force consumers to use set-top converters in situations where they would otherwise be unnecessary. Many video consumers are likely to be more than adequately served by analog service offerings alone. There is no reason to require these consumers to incur the expense of obtaining set-top converters or to deny them the use of the features of their television receivers. Most consumers would prefer to avoid the use of a set-top converter, if at all possible. Rather than forcing unnecessary set-top converters on unwilling consumers, the Commission should allow market forces to determine the best mix of analog and digital transmission capacity.

- **Video Dialtone Systems Should Be Compatible With The Decoder Interface.**

The consumer electronics and cable industries have invested substantial resources preparing for the introduction of equipment compatible with the Decoder Interface. After the Decoder Interface is implemented, consumers will spend billions of dollars acquiring such equipment. Video dialtone systems that are compatible with the Decoder Interface will be more valuable to consumers because they will be able to access all of the features of their television receivers as well as any Decoder Interface-compatible functionality residing in a competitively-supplied set-back module. If video dialtone systems are not designed as to be compatible with the Decoder Interface, (1) the investment by consumers and industry in Decoder Interface-compatible equipment will be lost; and (2) video dialtone will not be as effective a competitor as cable service because of its noncompatibility with consumer electronics equipment. Neither result is acceptable from a public policy perspective. EIA/CEG therefore urges the Commission to

require compatibility between video dialtone and the Decoder Interface, just as cable systems must accommodate this standard.

● **The Commission Should Maintain The Network Disclosure And Unbundling Rules For Video Dialtone Service.** Under current Commission rules, video dialtone system operators are required to disclose network-related technical information at least six months before a service is offered to permit unaffiliated equipment vendors to design equipment that is interoperable with the service.¹¹ Furthermore, all equipment located on a customer's premises, including set-top converters, must be offered on an unbundled and unregulated basis.¹² These rules currently apply, and should continue to apply, to video dialtone service.¹³ These rules will have the same beneficial effect as the separation of security and non-security functions in the cable arena. Consumers will be able to choose from a wide array of competitively supplied equipment for use in conjunction with video dialtone service, rather than be consigned to the monopoly offerings of their service provider. The current network disclosure and unbundling rules have created a vibrant, competitive market for customer-premises equipment in basic telephone and data communications. The Commission should ensure that video dialtone subscribers receive the same benefits.

¹¹ 47 C.F.R. § 64.702(d)(2) (1993).

¹² *Id.* § 64.702(e).

¹³ EIA/CEG has examined the GTE video dialtone application cited in the Notice, and is pleased that set-top converters for GTE's service will be offered on an unregulated basis and may be obtained from any source. See GTE Section 214 Application at 9.

CONCLUSION

For all of the reasons set forth above, EIA/CEG urges the Commission not to require the digital transmission of video dialtone. In addition, the Commission should ensure that its rules governing video dialtone service are harmonized with those requiring compatibility between cable systems and consumer electronics equipment. Finally, the Commission should

ensure the continued application of its network disclosure and unbundling rules to video dialtone service.

Respectfully submitted,

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